

VZCZCXRO5661
PP RUEHIK
DE RUEHFR #1413/01 2941024
ZNR UUUUU ZZH
P 211024Z OCT 09
FM AMEMBASSY PARIS
TO RUEHC/SECSTATE WASHDC PRIORITY 7379
RUCPDOG/USDOC WASHDC PRIORITY
INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE

UNCLAS SECTION 01 OF 02 PARIS 001413

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E.O. 12958: N/A
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SUBJECT: France: Total SA's Investment Projects

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SUMMARY

¶1. (SBU) Total SA executives gave Deputy Assistant Secretary Douglas Hengel an overview of investment activities in some of the world's political hotspots. On Iran, they denied talks had resumed on phase 11 of the South Pars gas field but expressed frustration over Chinese companies entering the market. Total is not a major supplier but does sell refined petroleum products to Iran. Total will partake in upcoming talks on Iraqi oil fields not in production and has a strong interest in Majnoon. The French oil major spoke out against President Sarkozy's support of an oil price band. In Nigeria, the company's financial exposure is great given the new terms of the Petroleum Industry Bill. Total finds the Extractive Industries Transparency Initiative useful and is committed to making it work, but has concerns about the proposed U.S. Energy Security and Transparency Act. Total refutes allegations of wrongdoing related to its activity in Burma. Globally, Total's future investment priorities for the firm include nuclear energy, solar power, and second generation biomass, but not wind. End Summary.

¶2. (U) On October 13, Deputy Assistant Secretary for Energy, Sanctions and Commodities, Douglas Hengel and Econoff met with the following TOTAL representatives:

- Hubert Loiseleur des Longchamps, Senior Vice President International Relations.
- Cherif Castel, Deputy Vice President, International Relations
- Thierry Bourgeois, Exploration and Production, Africa Division, Vice President Nigeria.

Iran

¶3. (SBU) Total denied press reports that talks on phase 11 of the South Pars (PS11) gas field had resumed. Technical, financial, and contractual obstacles prevent this from moving ahead, Loiseleur said, and the Iranians do not appear motivated to push the deal forward. For now "there is no agreement to sign", he insisted. (Note: Cherif Castel later confirmed that Total has been in talks with Iran on a separate "LNG Pars" production project. They are discussing an appropriate legal framework for the deal. End note.) Total's long term goal is to resume discussions with Iran on SP11, Loiseleur reiterated, but the company fears that they and other Western companies will lose out to the Chinese who are proceeding to lock up as many deals as they can in Iran.

¶4. (SBU) DAS Hengel mentioned that there might be more U.S. legislation to tighten sanctions. He asked if Total is selling refined oil products to Iran. Like other international energy companies, that remains an option for Total, Loiseleur replied,

given the current amount of excess refined products on the market. Total is not a major supplier but has sold some gasoline to Iran in the past. He stated that Total's activity is legal and not covered by the Iran Sanctions Act.

Iraq

15. (SBU) Turning to Iraq, Total plans to participate in the second bid round talks on oil fields not in production, Loiseleur confirmed. Like other oil majors, Total wants to be part of the Majnoon field development. Loiseleur realizes it will require a lot of wells, compressors, a pipeline to get the oil to shore, and complete upgrades to the existing export facilities.

G8: Oil Price Band

16. (SBU) Loiseleur said Total is not in favor of President Sarkozy's and Prime Minister Brown's support for using oil price bands to curb price volatility. Total has talked with President Sarkozy on this and "it appears he is getting the message", Loiseleur stated without elaborating.

Russia - Shtokman gas project

17. (SBU) Total's VP for International Relations estimated that a final decision on the Shtokman project would be ready by the end of next year and production could start in 2013. Total later confirmed October 12 reports that CEO Christophe De Margerie announced during the World Gas Conference that initial production would be delayed and likely to start in 2015/2016.

Nigeria

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18. (SBU) Nigeria's proposed Petroleum Industry Bill would negatively impact joint venture stakeholders by compromising new investment, including gas generation and development, Total executives said. Current licenses need legal protection and Total should have the priority when they come to term, provided it fulfilled the conditions of the license, Loiseleur believes. Yet the Bill's new relinquishment terms mean some of Total's blocks can be put on the market early and the Chinese are reportedly making offers substantially higher than the going price, he told us. "We think Nigeria is testing the market", Loiseleur said. The situation constitutes Total's biggest financial exposure, he added. It is unclear who has the most influence at the presidential level but the right message is not getting through. On security, Total has not had to halt production, but it is clear the GON needs to take charge, Total VP for Nigeria, Thierry Bourgeois noted.

Kazakhstan

19. (SBU) Asked about recent press reports of President Sarkozy's visit to Kazakhstan during which he announced a Total deal to develop the Russian-Kazakh Khvalynskoye field, Loiseleur said the Production Sharing Agreement with KazMunaiGas (KMG) had been in preparation for over five years. Sarkozy's visit coincided with the signing but was unrelated to the negotiations, Total executives claimed. (Note: According to Total's press release, the firm bought a 17 percent stake of Khvalynskoye from the initial 50 percent interest held by KMG. Russia's Lukoil owns the other 50 percent of Khvalynskoye. The gas will be transported to Russia. End note.)

Other Areas of Concern

110. (SBU) On Burma, Total publicly denied accusations of corruption and human rights violations made by EarthRights International in its September report. As for the Extractive Industries Transparency Initiative (EITI), Total believes it is a useful initiative and the

company is committed to making it work. Governance is the weak point in this sector, Loiseleur emphasized and others need to address this issue, not the international oil companies. He voiced concern about the proposed Energy Security and Transparency Act introduced in the US Senate requiring companies listed on US stock exchanges to disclose their extractive payments to foreign governments. He argued that if this legislation becomes law, Total and other companies, plus many implementing countries, would end their involvement in EITI. This would set back the transparency and good governance agenda, which benefits from the voluntary nature of EITI, and the USG would be charged with neo-colonialism by some resource producers.

Future Investments

¶11. (SBU) Total sees nuclear energy, solar power, and second generation biomass as parts of its future, Loiseleur asserted. The company intends to participate financially and help build European Pressurized Reactors in Abu Dhabi and Penly (France) alongside Areva, EDF and GDF-Suez. Total also is looking at unconventional gas, he added, but decided against investing in wind power projects.

Comment

¶12. (SBU) Total's long term strategic interest in Iran has not changed although the South Pars gas project is at a standstill. The short term political conditions and technical and financial obstacles prevent the project from moving forward. Like other European oil companies, Total is concerned that the Chinese will squeeze them out of the market. Total sees nuclear energy as an important part of its long-term future and has Sarkozy's political support to proceed as demonstrated by their participation in nuclear reactor projects in the UAE and France. End comment.

(U) This cable has been cleared by DAS Hengel.

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